

198556

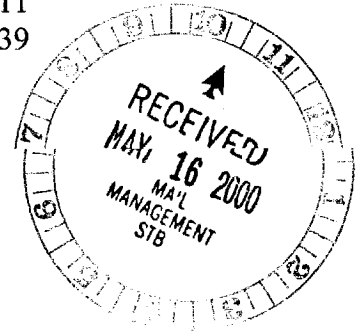


Iowa Department of Transportation

800 Lincoln Way, Ames, IA 50010

515-239-1111

Fax: 515-239-1639



May 15, 2000

Office of the Secretary
Case Control Unit
Attn: STB Ex Parte No. 582 (Sub-No. 1)
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

ENTERED
Office of the Secretary

MAY 16 2000

Part of
Public Record

Dear Secretary:

The Iowa Department of Transportation offers the enclosed comments regarding major rail consolidation procedures for your consideration.

If I can provide additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark F. Wandro".

Mark F. Wandro
Director

MFW:et

Enclosures: 25 copies and 3.5" diskette

Re: STB Ex Parte No. 582 (Sub-No. 1) Major Rail Consolidation Procedures

Comments of the Iowa Department of Transportation

The Surface Transportation Board (STB), through the process of amending its rules on major rail consolidation procedures, has an opportunity to shape the direction of North American rail service for the coming decades. The existing rules in 49 CFR 1180 have served the nation well, as railroads evolved from a period of severe physical and financial distress. Today, the remaining Class I railroads are much more stable and have the capacity to develop into an efficient network. Together with regional and short line railroads, Class I railroads could fulfill the promises made through past consolidations. As market power becomes concentrated in fewer hands, it is appropriate for the STB to shift its emphasis from the "rationalization of the nation's rail facilities and reduction of its excess capacity" to a balanced oversight that will result in a healthy rail transportation industry offering a competitively-priced service to its common-carrier customers.

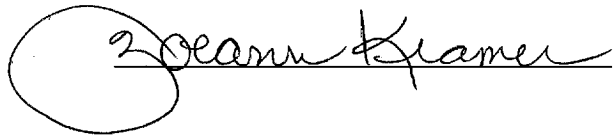
The increasing concentration and consolidation of the rail system into bigger companies can remove the decision-making for branch line improvements far from the local area. Many of the branch lines in Iowa need capital funding assistance for upgrading to handle heavier cars. Without this capital investment, the future of the branch line system is in serious jeopardy. This concentration into larger, fewer railroads forces the branch line investment to compete with many other main line capital investments on the larger railroad. Branch line investment often does not meet the return on investment rates required by the large railroads to maintain their shareholder value. This decision-making process, removed from the state, region or even the country, erodes local control by the rail users and the state over the future of the rail transportation system they are dependent upon. Additional mergers and consolidations will further exacerbate this erosion.

The STB should consider adding emphasis to provisions in its rules that deal with the oversight of past and future consolidation actions. The board should develop a standard monitoring and reporting process to review the progress of the merger in achieving the estimated benefits and impacts on service to shippers. The board has the authority, on its own motion, to reopen cases where new circumstances have arisen or new evidence is filed. This authority provides the board with the opportunity to monitor the progress of railroads in assuring the benefits put forward in justification of consolidation. To effectively implement this oversight, the board should make access to the regulation process easy and affordable to all rail customers, including shippers, railroads, and federal, state, and local governments. The board should also add provisions for active review of the relationships between Class I and connecting short line and regional railroads to ensure that the system, as a whole, operates in a competitive and efficient manner.

The Iowa Department of Transportation has a direct interest in the further consolidation of the railroad industry. We hope this rulemaking will help all railroads achieve their potential to deliver efficient, fairly-priced transportation services to all rail users.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 15th day of May, 2000, the attached document was served upon all parties of record to STB ExParte No. 582 (Sub-No. 1) Major Rail Consolidation Procedures by depositing a copy thereof in the U.S. Mail, postage prepaid.

A handwritten signature in cursive script, reading "Joann Kramer". The signature is written in black ink and is positioned above a horizontal line.